



BMF

**FEDERAL MINISTRY
OF FINANCE**

Austrian Stability Programme

Update for the period 2014 to 2019

Federal Ministry of Finance

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1. Introduction

In accordance with Regulation (EC) No 1466/97, amended by Regulation (EU) No 1175/2011, Euro area Member States are required to submit a Stability Programme and the other EU Member States a Convergence Programme each year.

The format and content of the present document are in line with the requirements of the Code of Conduct as endorsed by the ECOFIN Council on 3 September 2012.

At the same time it can be considered as the national medium-term budgetary framework which has to be submitted in accordance with Article 4 of Regulation (EU) No 473/2013.

The Federal Government pursues a long-term and stability oriented fiscal and economic policy with the objective of attaining sustainable economic growth and a high level of employment. Four key areas have been identified:

- a comprehensive tax reform
- consistently proceeding with the successful structural fiscal consolidation
- maintaining structural reforms in the field of public administration, subsidies, pensions and labour market
- strengthening investments in the areas of education, universities, R&D and infrastructure to support growth and employment

This programme is based on the Federal Budgetary Framework Law 2016 to 2019 (BFRG) and the parameters of the Austrian Stability Pact (ÖStP), national accounts data from Statistics Austria (STAT) until 2014, the medium-term economic forecast by the Austrian Institute of Economic Research (WIFO) as of March 2015 as well as own calculations and assessments by the Federal Ministry of Finance (BMF).

2. Economic situation in Austria

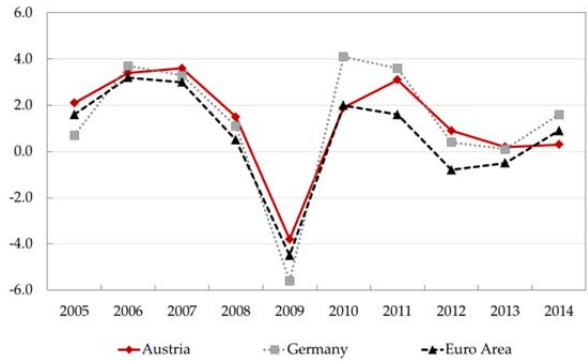
2.1. Economic developments in 2014

In 2014, the Austrian economy grew by +0.3% in real terms, which is far less than projected. On a quarterly basis, the economy stagnated throughout the whole year of 2014 such that the entire dynamic stemmed from the carry-over from 2013.

Demand remained weak both from the domestic and the external side. Stagnation of exports and a somewhat stronger rise in imports, in particular of goods, resulted in a negative contribution of net exports. Whereas exports to EU countries even decreased, export demand from the Americas and Asia was stronger. The tourism industry, after a relatively bumpy start, accelerated in the second half of the year such that the number of overnight stays of foreigners slightly exceeded the one from the year before.

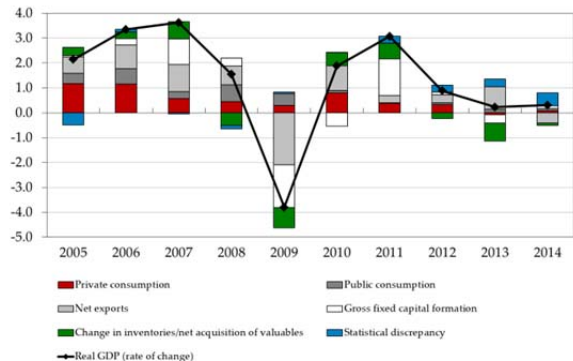
Real private consumption expenditures increased only modestly in 2014 and reflected a continuation of low dynamics of real wages and a slight rise of the savings ratio of private households. Private expenditures for durable consumer goods, however, trended upwards for the first time in two years. Direct lending to non-banks rose modestly. The growth contribution of public consumption was slightly positive.

Figure 1: Real GDP growth



Left axis: Rate of change over previous year in%
Source: EUROSTAT

Figure 2: Contribution to growth



Left axis: Contribution to real GDP growth in percentage points
Source: STAT

Amid weak impulses from domestic consumption and external demand as well as limited consumer and business confidence, investment activity remained low. Both construction and equipment investment grew by approximately ½% only. In seasonally adjusted terms, a stronger first quarter was followed by a contraction of investment in the third and fourth quarter.

The number of persons in employment rose by approximately 30,000 in 2014. The number of foreign persons employed grew quite strongly and the number of domestic people employed

decreased for the second year in a row. At the same time, the labour force rose by approximately 62,000; reasons for which were, in particular, an increase in the participation rate of older persons, statistical effects due to some changes in the active labour market policy and immigration.

Due to the lower oil price, the inflation rate was on a declining trend in Austria, too. Yet relatively high inflation differential to the average of the Eurozone remained. Price drivers were some services, food stuff and housing.

2.2. Financial sector developments

In addition to fiscal and economic circumstances monetary policy measures of the European Central Bank (ECB) and the US Central Bank (Fed) played an important role for the evolution of the long-term interest rates in the last 12 months.

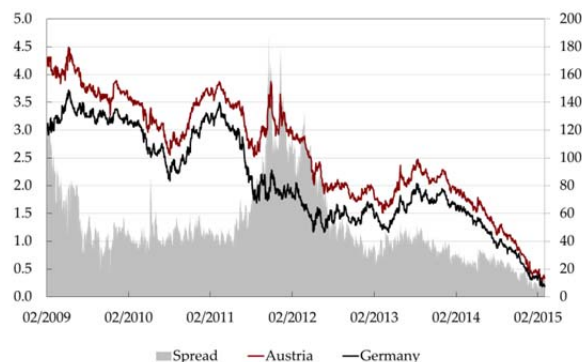
The long-term Austrian interest rate (10-year yield of government benchmark bond) showed strong downward movement during the year 2014. After a 10-year yield of around 1.75% in spring 2014 the yield subsequently decreased and reached around 0.30% in March 2015. The announced monetary policy measures of the ECB (especially the public sector purchase programme) influenced the Austrian yield as well.

The spread of the 10-year Austrian yield to the 10-year German yield showed relatively low volatility since spring 2014. As the spread lay at around 30 basis points in spring 2014 it declined to around 10 basis points until the beginning of 2015. From mid-March to end-March 2015 though, a slight increase in the spread was to be observed.

The rating agency Fitch downgraded the Austrian Federal Government long-term rating by one notch from „AAA“ to „AA“ (outlook stable) on 13 February 2015 and especially referred to the increasing Austrian public debt ratio. In March 2015 the rating agency Moody's has not changed the top score „Aaa“ of the Austrian long-term sovereign bond rating (outlook stable) and the rating agency Standard & Poor's also confirmed the Austrian long-term rating („AA+“) with a stable outlook in March 2015.

The Austrian equity market (ATX) showed a similar development as the Euro-Stoxx-50-Index during the last 12 months. An improving economic outlook led to significant gains of the ATX since the end of 2014. From spring 2014 to autumn 2014 the ATX suffered from increasing geopolitical uncertainties (especially Ukraine-Russia-conflict).

Figure 3: Long-term interest rates



Right axis: Spread in basis points
 Left axis: Long-term interest rates in %
 Source: Macrobond (as of 31 March 2015)

Figure 4: Financial market performance



Left axis: Index
 Source: Macrobond (as of 31 March 2015)

Banks

The asset volume of Austrian credit institutions totalled 896 bn € (non-consolidated) by the end of 2014 and had thus continued to decrease by 3.3% compared with 2013. This development was a result of unfavourable market conditions in some of the CESEE countries and due to efforts to increase capital ratios.

Growth of loans to households (driven by housing loans) and enterprises in Austria remained stable in 2014 (+1.3% and +1.1% till Q3/2014). Thus, corporate loans grew at a similar rate as in 2013 and thus performed significantly better than the euro area average. The average retail interest rates have declined both for corporate loans and household loans in accordance with the reference interest rates. This trend continued in early 2015.

New lending to private households was increasingly driven by housing loans. The decline in foreign currency loans has persisted in 2014. Due to the unexpected appreciation of the Swiss franc in January 2015, the corresponding euro amount increased again, though.

The credit exposure in the CESEE region can be described as highly diversified. The withdrawal from less attractive countries continued in 2014.

In Austria credit quality and the ratio of non-performing loans (4.5% y-o-y) remained largely unchanged at a solid level in 2014. In CESEE it also stabilised, but at a lower level. Nevertheless, the profitability of the Austrian banking sector remained under pressure throughout the year 2014. Credit risk provisions, partly caused by geopolitical problems, led to a decline in profits in CESEE by roughly 66% to approximately 747 m €. The concentration of profit making to a few markets like the Czech Republic, Russia and Slovakia remained.

The cost-income ratio increased slightly to 69% (2013: 67.7%). Negative one-off effects in several major banks resulted in an unconsolidated net loss of 6.7 bn €. The consolidated capital

base of Austrian banks has improved, but still remains below average by international standards. The core capital ratio amounted to 11.8%.

In preparation of the banking union, six Austrian banks were subject to a comprehensive assessment carried out by the ECB in 2014. Five of the six participating Austrian banks successfully passed this test and showed that they have sufficient capital, even under the severe stress scenario. The results of the comprehensive assessment were thus in line with the OeNB's and the FMA's expectations. The path of strengthening the capital base that has been taken throughout the last years ought to continue, as Austrian banks' core capital base remains below average compared to international benchmarks.

Vienna Stock Exchange

The total amount traded on the Vienna Stock Exchange further increased to 47.76 bn € in 2014. The market capitalisation declined to 80 bn € as a result of the ATX performance of minus 15.8% year on year. The issuance of new equity capital of roughly 4 bn € (by Raiffeisenbank International AG, Telekom Austria AG, FACC AG among others) had a neutralising effect. After two strong years for corporate bonds with a total issuance volume of 5.5 bn € (2012) and 5.2 bn € (2013), a record volume of 7.2 bn € was reached in 2014.

Insurance sector

In 2014, the domestic insurance sector performed significantly better than in 2013, in terms of premiums received. It recorded an increase in domestic premium income by about 2.8% to 17.1 bn €. By the end of 2014, the insurance sector had managed approximately 91.3 bn €.

The technical account balance totalled 477 m € (-19.3% compared to 2013). The financial result declined from 3.3 bn € to 3.2 bn €. Overall, the result from ordinary activities was 1.4 bn €, down by -5.9 %. This development was mainly caused by the low-interest rate environment coupled with the fact that the earnings from investment declined more than expenditures for investments.

Investment Funds, Pensionskassen und Corporate Provision Funds

The investment volume of Austrian investment funds rose by solely 8.6% on a year-to-year basis, reaching around 157.8 bn € by 31 December 2014. For the first time in years, substantial net inflows could be observed. The average performance of the "Pensionskassen" (pension funds) amounted to 7.82%, compared to 5.19% in 2013. The total assets of pension funds increased to 19.01 bn €. The number of prospective beneficiaries increased to 858.433 persons, representing a rise by about 2.8%. Assets held by corporate provision funds rose by 17.8% to 7.3 bn €, primarily as a result of legally induced inflows. The performance was 4.08%.

"Nationalised Banks"

Based on the Financial Market Stability Act (FinStaG), Austrian banks had received capital and liquidity boosting funds, amounting to a total of 16.5 bn €, including participation capital provided by the Republic of Austria in the last couple of years. Taking the repayments to date into account, the net utilisation reached nearly 13 bn €. According to FinStaG, the legally possible upper ceiling for measures aimed at strengthening the Austrian financial market is 22 bn €.

By the end of 2014, the Federal Government held participation capital issued by two institutions (Heta Asset Resolution AG and Österreichische Volksbanken AG) with a total outstanding amount of 1.4 bn €. The subscription of share capital, shareholder contributions and other capital measures, account for 7.3 bn € of the FinStaG ceiling. The guarantees assumed by the Federal Government, amount to some 4.3 bn €.

In 2014, the Federal Government received dividend payments for the subscribed participation capital, amounting to 252 m €. Income from guarantee fees and other income amounted to 111 m €. For 2015, lower income from guarantee fees and dividend payments is expected. On the one hand, Raiffeisen Bank International AG does not distribute a dividend, due to its net loss in 2014. On the other hand, HETA's liabilities from guarantee fees fall under the moratorium imposed by the Financial Market Authority (FMA).

In accordance with European state aid rules, the Republic of Austria does not consider itself as a long-term owner of banks. For the (partly) nationalised banks (HETA, Kommunalkredit Austria AG, KA Finanz AG, ÖVAG), sustainable restructuring and orderly asset reduction within the time frames agreed upon with the European Commission (EC) should ultimately lead to withdrawal from the market. This does not rule out that parts of activity or portfolios are sold within the scope of the state aid approvals.

Kommunalkredit Austria AG (KA) pursues the resolution plan, which was approved in July 2013 by the EC. The latter includes discontinuing new business on the asset side as well as a long-term, value preserving liquidation of the bank until the end of 2040. In this context, a process of selling a sub-portfolio was started in autumn 2014 that ended with the conclusion of a contract with a tenderer in March 2015. Throughout the implementation of the contract during the year 2015, the remaining unsold part of KA will be merged with KA Finanz AG (KF).

KF remains committed to liquidate its portfolio in a value and capital-preserving manner. To achieve this, the bank made use of favourable market conditions, which made it possible to completely dismantle the entire foreign CDS portfolio. About 3 bn € of the total amount of guarantees out of the Financial Market Stability Act (FinStaG) are used for a guarantee pro-

gramme for short term securities issues by KF. In 2014, the European statistics agency Eurostat implemented changes regarding the sector allocation of nationalised bad banks, resulting in the retroactive attribution of KF's liabilities to the government sector as of 2009. Consequently, public debt was revised upwards by nearly 7 bn € in 2014.

In 2014, far-reaching changes were initiated in the Volksbanken association to secure the future of this deeply regionally rooted banking sector. It is envisaged that ÖVAG will transfer all functions that it exercises as the central institution for the association to a new central institution. ÖVAG will leave the joint liability network and it will be wound down subsequently. The currently more than forty primary institutions of the Volksbanksector are to be merged into eight regional and two specialised banks. A new association contract will settle the interaction between the new central institution and the remaining primary banks. The restructuring requires the approval of the European Commission and the European Central Bank (ECB).

In the course of the partial nationalisation of ÖVAG in February 2012, the Federal Government agreed to take over guarantees amounting to 100 m €. The respective agreement was signed in March 2013, but its capital enhancing effects already impacted the financial statements of 2012 retroactively.

In the state aid procedure concerning Hypo Alpe Adria Bank International AG (HBInt) the decision of the EC was issued in September 2013. Therein, the Commission agreed to a limit for state aid in form of a capital support of 5.4 bn € and a liquidity support of 3.3 bn €. As a result of several measures for equity capital strengthening, the most recent capital increase of 750 m € took place in April 2014, the remaining available state aid limit shrank to 2.9 bn €.

In accordance with the state aid decision, the Austrian subsidiary of HBInt was sold in December 2013, followed by the sale of HBInt's SEE branch to an international consortium in late 2014. In autumn 2014, the Italian subsidiary HBI was transferred to a special purpose federal holding company and is to be wound down. In autumn 2014, the remaining HBInt handed back its banking license and operates under the name HETA Asset Resolution AG as a resolution unit ever since. As was the case of KF, HETA's liabilities are attributed to the government sector since 2014. Public debt thereby increased by 14 bn €.

During the establishment of the resolution unit, a quality review of assets was conducted. The latter revealed that further substantial write-offs will be necessary. The Republic of Austria decided against further capital supporting measures, as this would have resulted in exceeding the remaining available limit for state aid measures. Subsequently, FMA initiated the resolution of HETA in accordance with the resolution regime that has been in place in Austria since the enactment of BaSAG (Federal Act on the Recovery and Resolution of Banks) on 1 January 2015. BaSAG transposes the Bank Recovery and Resolution Directive (BRRD) into

Austrian law.

In order to prepare a liquidation plan in accordance with the objectives of the new regime, FMA has imposed a moratorium on liabilities of HETA until 31 May 2016.

2.3. Short to medium term perspective (2015 to 2019)

Following an average annual real growth rate of some ½% between 2012 and 2015, the Austrian economy is expected to take up speed gradually and reach a real growth rate of slightly below 2% towards the end of the projection horizon. The short and medium term projection is based on the assumption that first growth impulses will come from the external side which in turn will positively impact investment followed by real incomes and then private consumption.

External demand should be supported by the lower level of commodity prices, a favourable euro exchange rate and the monetary expansion of the ECB. Since low private consumption and restrained investments will dampen import demand at the beginning, net exports are expected to contribute positively until 2019.

The Austrian economy has not been facing any major macroeconomic imbalances. The funding conditions are favourable and public finances are at the medium term objective. On that basis, consumer sentiment and business confidence will brighten and domestic demand will increase gradually. Growth impulses will also come from the tax reform 2015/16 that the Federal Government has concluded. In a conservative estimation, this reform is expected to increase the annual growth rates between 2016 and 2019 by some 0.1 pp (i.e. 0.4 pp in cumulative terms), with both demand and supply side effects being at play.

The labour market will continue the trend of positive employment growth, in particular in the part-time segment. As labour supply will also expand due to a rising retirement age, a still increasing labour participation of women and ongoing immigration, the unemployment rate will edge up by approximately 0.3 pp in 2015 and is expected to recede slightly towards the end of the projection horizon only.¹

¹ Statistics Austria revised its time series on the number of persons in unemployment on 19 March 2015 and thus after WIFO, the Austrian Economic Research Institute, had finalised its medium term forecast on which this projection was based. For that reason, this Stability Programme could not consider the newly revised figures; the revision, however, mainly resulted in a level shift and had no major implication for the medium term projection of the macroeconomic scenario.

3. Economic and budgetary policy strategy

The Federal Government pursues a long-term and stability oriented fiscal and economic policy with the objective of attaining sustainable economic growth and a high level of employment. Four key areas have been identified:

- a comprehensive tax reform
- consistently proceeding with the successful structural fiscal consolidation
- maintaining structural reforms in the field of public administration, subsidies, pensions and labour market
- strengthening investments in the areas of education, universities, R&D and infrastructure to support growth and employment

This programme confirms the continuation of the hitherto successful concept of a sustainable stability-cum-growth-cum-employment budgetary and economic policy. At the same time, account is taken of new structural challenges and the diminishing fiscal leeway.

Against the background of subdued growth in 2013-2014 and only moderately improving growth prospects until 2019, particular emphasis has been put on the strengthening of sustainable growth, equity and the attainment of the EU2020 targets. Due account is given to country specific recommendations of the EU, the OECD and the IMF. Actually, the following measures are planned:

Tax reform 2015/2016

The tax reform 2015/2016 was adopted by the Federal Government on 17 March 2015. It establishes the biggest tax relief in the Second Republic and will take effect as of 1 January 2016. Growth and employment will be fostered by improving Austria as a business location, by the strengthening of purchasing power and by better incentives to take up work through reducing the tax wedge.

The overall volume amounts to 5.2 bn €. This is equivalent to 1.5% of GDP. 4.9 bn € will be attributed to the relief of the wage and income tax payers as well as for the reimbursement of social security contributions. More than six million wage and income tax payers will benefit from these measures. An additional 100 m € will be disbursed for families by a doubling of the child allowance. Moreover, instruments amounting to 200 m €, such as the increase of the invention premium, further ease of SME-financing, allowances for immigrating researchers and scientists, will provide a significant stimulus to growth and employment. Moreover, and subject to budgetary space, the indirect labour costs shall be reduced stepwise as of 2018. Fiscal room for the reduction of indirect labour costs could materialize in the family burden equalisation fund.

Overall economic effects of the tax reform

The tax reform comprises a gross volume of 5.2 bn €, which is equivalent to 1.5% of GDP. This is why the overall economic impact will not be negligible. The Ministry of Finance has thus tasked the WIFO and the Institute for Advanced Studies (IHS) to make a quantitative assessment of the draft reform package.

The WIFO calculated the effects of the tax reform 2015/2016 on GDP-growth and public finances using its macro-econometric model. On the demand side, GDP will be driven by a stimulus of consumption and inflation. The annual growth rate of real GDP will be lifted by 0.1 pp each in 2016-2019 (0.4 pp in cumulative terms). The respective rate for nominal GDP should increase by almost 0.3 pp on average (1.1 pp in cumulative terms). Overall, dependent employment should increase by 8,400 persons after four years. According to WIFO, the budget balance will improve by 0.2% of GDP in the medium term. Notwithstanding, the budget balance should deteriorate by close to 0.1% of GDP in 2017.

The IHS used a dynamic computational equilibrium model (TaxLab) for its calculations. In contrast to the WIFO-model some of the counter-financing measures do not result in a contracting effect thanks to the involved gains in efficiency, but are regarded as neutral to GDP. The long-term effect on GDP (level) is estimated to be up 1% and employment should increase by more than 29,000 persons. There is a supply side effect on labour, which is estimated to be around 22,000 full-time equivalents. In the long-run, IHS predicts an improvement of the budget balance by 0.1% of GDP. In the short-run (2016) the model predicts a deterioration of the budget balance by 0.15% of GDP.

Details of the tax reform 2015/2016 can be found in chapter 3.1.

Qualitative Budget Consolidation

The draft Federal Budgetary Framework Law for the years 2016-2019 has the main aim to keep the structural balance durably at the MTO, whilst concomitantly re-forcing sustainable GDP-growth.

This target will be achieved by the growth-stimulating effects of the tax reform and the measures to finance it, including sensible savings in public administration and as concerns subsidies. Fiscal sustainability will be ensured by capitalizing on the pension- and health care reforms of recent years and by further pursuing structural reforms in the field of public administration, subsidies, labour market and pensions.

At the same time, important switches in the budget are shifted towards the future. Measures in the field of education, research, science and infrastructure will give further impetus to the

driving forces of the economy. The offensive measures in the fields of science, research and education, which were triggered in the past years, will be continued. Child care facilities will be extended. Also, more money will go to full-day schooling with the aim to increase both the number of care places and the daily duration of care. The budget envelope for universities will be lifted significantly in the years 2016-2019. The investment in infrastructure for broad band networks will be advanced. Until 2020, the Federal Government will provide support of 1 bn € to this end („Breitbandmilliarde“). Spending for internal security as well as for defence will also be increased in light of the terrorist attack in Paris in January 2015.

The public debt ratio will increase in the short-term, but then embark on a lasting downward trend. This short-term hike is triggered by the partial privatisation of Kommunalkredit Austria AG. The remaining portfolio will be merged with the existing bad bank „KA-Finanz AG“, which is recorded as public sector entity according to the statistical rules.

Administrative Reform

Administrative reform will be further pursued. A working group comprised of all layers of government (Commission on Tasks and Deregulation „Aufgaben- und Deregulierungskommission“) has been tasked to identify margins of efficiency and appropriate measures. So far, four reports were submitted to the Federal Government. The „Aufgabenreform und Deregulierungskommission“ will produce a final report this year. Thereafter, the proposals will be assessed by the administration and a process of implementation will be set in motion.

Overall savings on spending for administration and public subsidies should amount to 1.1 bn € in 2016. These savings will be attributed to the Federal Government, the Länder and municipalities according to the distribution key of the financial equalisation scheme. Implementation should comprise a dampening of expenditure dynamics for administration (expenditures for personnel and materials) and sensible savings in subsidies (e.g. a freezing of subsidies in certain areas. Areas like research and labour market will be excluded. For the federal level the implications on the different budget chapters have already been taken into account in the strategy report.

The efficient implementation of these measures (as well as of the proposals of the Court of Audit) will be scrutinized by an independent monitoring unit on a regular basis. This should ensure a timely processing of the proposals. The monitoring unit will, within the existing budget resources, have the task to assess also planned measures of administrative reform as regards the stage of implementation and the feasibility of implementation. Whilst engaging with the respective ministries and government bodies on these issues, a monitoring report will be produced.

The semi-annual monitoring reports will be submitted to the government and Parliament for deliberation. The reports will cover the assessment of compliance with the cost-dampening path as regards administrative expenditures, savings of subsidies, and the implementation and feasibility of reform proposals. In preparing of the reports, the Court of Audit has to be involved. The tasks of the monitoring unit are confined to co-ordination and monitoring.

Reform of education - strengthening of the autonomy of schools

The Federal Government intends to implement a reform of the educational system in accordance with the Länder. This includes the strengthening of the autonomy of schools, more transparency and quality control as well as clear-cut responsibilities and steering by law and performance controlling, whilst the Federal Level must keep the power to make things happen. One pillar of the new governance of the school system will be more room of manoeuvre for schools. The Ministry of Education will establish common targets for educational attainment and educational content, training, re-training and further training and will provide transparent and targeted financing.

In the next meeting of the reform commission for education, which is to take place around mid-2015, a concrete time schedule including milestones will be adopted. This will include first corner stones as regards the degree and detail of autonomy, as regards the new administrative and financing structure as well as the need for simple and/or constitutional law changes. It is envisaged to reach a political agreement by 17 November 2015.

Pensions and labour market

The implementation of structural reforms will be further pursued in line with the coalition agreement. As a first step, a part-time pension will be introduced. The pension monitoring (including a separate reporting on tenured civil servants) will be made a legal obligation until summer 2015. The „bonus/malus“-system and the cut of indirect labour costs (contributions to the family burden equalisation fund) will be implemented in parallel. A concept will be developed in collaboration with the social partners until summer 2015.

A working group (MoF, Ministry of Labour, Ministry of Economy and the Federal Chancellery) was established with immediate effect. If necessary and prompted by the monitoring report, further measures to cope with long-term effects will be proposed by 29 February 2016.

In order to reinforce the re-integration of unemployed persons provision will be made in the Law for the Financing of Labour Market Policy („Arbeitsmarktpolitikfinanzierungsgesetz“; „AMPFG“) that use can be made of available financing means from the unemployment insurance funds („Arbeitslosenversicherungsgesetz“, AIVG“) up to a limit of 250 m € for the

years 2016 and 2017 (labour market service programme „Beschäftigungsinitiative 50+“). Due to tight financing conditions prompted by high unemployment, no additional scholarships will be extended for upskilling workers in 2016 and 2017, respectively.

The efficiency of upskilling and job-counselling of the unemployed shall be improved. More weight shall be put on the principle of bringing people back to work rather than passive income support (e.g. support of enrolment and creation of new and additional job opportunities for the elderly and long-term unemployed). Reporting of enterprises to social security institutions shall be simplified.

In order to relief the burden on labour, contributions to the compulsory accident insurance fund and the insolvency fund („Insolvenz-Entgeltsicherungsfonds“) were already reduced in 2014. The tax reform will provide further relief to labour income amounting to 4.9 bn € per year as of 2016. Subject to budgetary room for manoeuvre, indirect labour costs shall be further reduced in a stepwise fashion as of 2018.

The tax reform 2015/2016 enhances incentives to take-up work especially for low income earners. Moreover, in particular parents will benefit from an extension and upgrade of child care facilities. This will allow them to take up work or increase working hours and thus better reconcile work and family.

Currently, the procedures for the recognition of foreign certificates of skills and formal education are neither unified nor co-ordinated. Until autumn 2015 the procedures shall be co-ordinated and unified by means of a special law on recognition and thus be made simpler. An electronic portal will support the application of recognition of EU citizens and persons from third countries.

Vocational professions will be made more attractive through the creation of 18 new or modernized professions by amending the law („Lehrberufspaket 2015“). „Vocation with graduation“ („Lehre mit Matura“) will be made more attractive for enterprises and the youth, as the duration of the vocational training will be extended so as to allow for the participation in courses for the respective graduation exams.

Financial burden sharing

Reforms are also envisaged for the financial burden equalisation scheme. The accounting standards of all public entities shall be harmonized (accounting of liquidity, use of resources and wealth). To this end a comprehensive package of rules was put to a broad consultation in April 2015. Until end 2015 the partners to the financial burden equalisation will prepare a proposal for a fundamental overhaul of the financial equalisation scheme, including in particular the following topics:

- Disentangling of tasks, mixed-financing and transfers
- provisioning of adequate financing
- increasing efficiency by abolition of double tracks

Improving the Conditions for Research and Development

The public support of research and development will be stepped-up significantly. The additional tax revenues from the increase of the top income tax rate will raise 50 m € and will be put into a special Austria fund („Österreich-Fonds“). The funds will be used to finance research and development as well as and research in education. Particular focus will be put on the link between research and product invention. The premium for R&D will be lifted from 10% to 12% (+80 m €). The aim is to increase total expenditures on R&D, including from the private sector, to 3.76% of GDP by 2020.

The tax incentives for immigrating international researchers and scientists will be increased. In addition to the existing preferential treatment of housing costs, a lump-sum immigration allowance will be granted.

Better financing of enterprises

The law on alternative financing („Alternativfinanzierungsgesetz (AltFG)“) will establish a legal basis for crowd funding and citizen participation models. The law will exclusively target real sector investments of SMEs, in order to preserve the business location, to foster innovation and to raise employment. The limit for the issuance of fully-fledged capital market prospectuses will be lifted from 250,000 € to five million €. For volumes raised between 1.5 m € and 5 m € a simplified prospectus will suffice. There will be a limit to the maximum amounts raised by the issuer and also for the investors.

Both, supply and demand factors are responsible for the decline in the dynamics of credit growth since the onset of the financial and economic crisis. Bank credit conditions have been tightened in particular for small and medium sized enterprises.

As supplement to the existing public sector support, such as credits at preferential interest rates, a SME-financing package will establish a modern and flexible tax framework for companies specialised on SME-financing and of their investors. The maximum limit for investing in participation capital of a single company € in a certain period will be lifted from 1.5 m € to 15 m €. At the level of the SME-financing company there will be tax-neutrality as regards capital gains and capital losses resulting from sales, an exemption from stamp duties as well as an exemption from the capital duty. For persons investing in the SME financing company there will be a limited tax exemption for dividends. The law will terminate on 31 December 2020, and disinvestments will be possible under preferential conditions until 31 December

2026. This measure will mobilize existing but not yet invested private capital. It will impact those enterprises, which want to grow and create jobs.

Within the tax reform 2015/2016, the allowance for employee participation models will be lifted from 1,460 € to 3,000 € per year.

New housing package

Investments to the tune of 5.75 bn € will be enabled, of which 5 bn € is reserved for housing and 750 m € will be invested in housing related infrastructure. The Federal Government will contribute a guarantee of 500 m € to the total volume of 5.75 bn €. This should stimulate growth and create 16,000 to 20,000 additional full-time jobs during the programme period. The Austrian Real Estate, a subsidiary of the Federal Real Estate Company („Bundesimmobiliengesellschaft“ (BIG)), will invest 2 bn € in domestic housing until 2020. Thereby, 10,000 new flats of which 6,000 rental flats and 4,000 owner occupied flats will be built.

3.1. Tax reform 2015/2016

Income tax measures

Tariff

- The reduction of the entry rate for the income taxes from 36.5% to 25% will relieve all tax payers irrespective of their tax bracket.
- The number of tax brackets rises from 3 to 6 brackets which will lead to a flatter tax progression.
- The tax base for the 50%-tax rate will be increased from 60,000 € to 90,000 €.
- For incomes above 1 m € per year a temporary surcharge of 5 pp will be introduced (top rate 55%).

Tariff until 31 December 2015			Tariff from 1 January 2016		
over	up to	tax rate	over	up to	tax rate
0 €	11,000 €	0%	0 €	11,000 €	0%
11,000 €	25,000 €	36.5%	11,000 €	18,000 €	25%
			18,000 €	31,000 €	35%
25,000 €	60,000 €	43.21%	31,000 €	60,000 €	42%
			60,000 €	90,000 €	48%
60,000 €		50%	90,000 €	1 m €	50%
			1 m €		55% (temporarily)

Employees and pensioners

- The lump sum deduction for employees will be integrated into the commuter lump sum which will be increased to 400 € per year (up from 345 € at the moment).
- Commuters who don't benefit from the above mentioned general deduction (because of low incomes) will receive a commuter benefit addition totalling 20 m €.
- Reimbursement of half of the social insurance contributions for low-income-earners (maximum of 400 € per year for employees, maximum 110 € per year for pensioners).
- Ecological measures for company cars: for company cars with private usage emitting carbon dioxide of more than 120 g/km the implicit income benefit will be increased to 2% of the cost of purchase; for electric company cars for private usage no implicit income benefit will be set.

Families

- The tax allowance for children doubles from 220 € to 440 €.

Special tax deductions („Topf-Sonderausgaben“)

- For old contracts the current deductions will be kept in place for a maximum time period of 5 years.
- For new contracts the special tax deductions will be abolished.

Capital yields tax

- The capital yields tax will be increased from 25% to 27.5% with an exemption for interest income from deposits at banks (banking and deposit accounts).

Real estate gains tax

- The real estate gains tax will be increased to 30%; in addition the tax base will be broadened for certain real estate transactions (no inflation discount anymore).

Depreciation for buildings

- For buildings of business property a single depreciation rate of 2.5% is introduced by January 1, 2016 (instead of 2%, 2.5% or 3%).
- Additional measures will be taken: extension of maintenance; increase of the assumed implicit share of real estate for the calculation base; equalisation of depreciation in renting/leasing.

Economy

- The premium for R&D expenditures will be lifted from 10% to 12%.
- Preferential tax free treatment of employees' share acquisitions will be increased from 1,460 € to 3,000 € per year.
- The financing package for SME creates a modern and flexible taxing framework for SME-financing companies and their investors.

- Crowd funding as a modern form of corporate financing enriches the Austrian corporate financing landscape. As a result especially start-ups and SME will receive an important start-up support.
- For scientists and researchers a new tax allowance in case of immigration will be created in addition to the existing tax benefits.

Other measures

- Brake for loss carry forwards at general partnerships (German regulation), limitation of refunding of contributions as well as abolition of the education premium and the education tax allowance.

Value added tax measures

- Increasing the value added tax from 10% and 12% to 13% from the beginning of 2016 for the following items: living animals etc., seeds etc., plants, cultural services, animal feed, wood, youth care, national air traffic, baths, museums etc., zoos etc., cinemas etc., direct-sale of wine; for accommodation facilities from 1 April 2016.

Real estate property transfer tax

- The tax base for unremunerated real estate transfers will be changed from three times the unit value to the actual market value, whereas in agriculture and forestry the simple unit value still applies for this kind of transactions.
- The uniform tariff will be changed into a tax rate with brackets: 0.5% for up to 250,000 €, 2% for up to 400,000 € and 3.5% for above.
- For business transfers the tax-free allowance will be lifted from 365,000 € to 900,000 €.
- Cases of hardship are to be considered, especially in the tourism sector.
- The Austrian Federal Government ensures that the total tax volume of the real estate property transfer tax will not shrink with the new regulation.

Measures against tax fraud and social fraud

Obligation for cash registers

- Obligation to register every transaction with a receipt.
- Transactions in cash must be recorded separately from the first Euro. The type of records can be chosen by the company.
- Enterprises with predominantly cash transactions have the obligation for a cash register as of a net-turnover of 15,000 € per year and must record all their individual transactions with the cash register.
- Every cash register must be secured by software against manipulation.

- The purchase of a cash register will be supported with a premium of up to 200 € per cash register and can be deducted from the tax statement in the year of purchase.
- The criminal treatment of manipulation software for cash registers has to be considered.
- The so-called „cold-hands-transactions“ (determining cash on hand without recording every individual transaction) will be limited to net sales of a maximum of 30,000 €.
- Small festivals can record their sales with determining the cash on hand.

Disclosure of bank accounts

- At the occasion of tax audits by tax authorities (e.g. company tax audit, special value added tax audit, common inspection of all wage tax contributions) the tax offices shall have full access to bank accounts.
- Introduction of a central registry of accounts or the implementation of comparable measures to secure an efficient controlling.
- As supporting measure banks should be obliged temporarily to record higher account movements (cash withdrawals, capital flows to other countries) until the new tax laws are in effect.

Social fraud

- Fake firms and registration fraud should be detected earlier and shall be pushed back: data analysis of information of the public health insurance companies, improved cooperation of different agencies through the creation of a law against social fraud.
- Concerning the negotiations with the Provincial and Regional Governments about the minimum subsistence benefit the focus will be put on better work incentives.
- The issuing of fake invoices in the construction sector should be prevented by a ban of cash payments in the B2B-sector (with the exemption of very small amounts).
- „Black work“ at private house construction sites and commercial bungling should be prevented by stronger inspections.
- Misuse of sick leave: mystery shopping at doctors; improved inspections by the public health companies.
- E-Card misuse: sanctions against doctors in case identity is not checked properly (ID card) or in case of misuse of E-Card by patients.

For reaching a volume of 200 m € further measures against social fraud (besides tax measures) will be implemented in the framework of the law against social fraud and for additional measures which cannot be implemented immediately, an agreement has to be reached until autumn 2015.

Additional measures against tax fraud

- Shrinking carousel fraud through: establishing special task forces, in the medium-term implementation of „reverse charge“ (at the moment preparatory work on that subject takes place at the European level).
- Fight against fraud with mineral oil taxes through additional investment in human capital and equipment.
- Modern IT-support for effective fraud prevention in the tax administration: investment in highly specialised analytical software for supporting special tax fraud task forces.
- Fighting value added tax fraud in cross-border-transactions: intensification of monitoring by analysing external data.
- Combatting illegal online-gaming portals through internet blocking/barriers.

Further relief measures

- From the year 2018, under the condition of budgetary leeway, the non-wage labour costs should be decreased gradually. Budgetary room for manoeuvre for lowering the non-wage labour costs exists especially at contributions to the family burden equalisation fund.
- Self-employed, who are insured at the social insurance fund for entrepreneurs, as well as farmers, who don't pay income taxes, should receive the same tax relief as employees in their respective social insurance amounting to 45 or 15 m €.

Reductions of public administrative costs and state subsidies

- Nation-wide cost savings in state subsidies and public administration of 1.1 bn € should be achieved. The savings are split between the Federal, Regional and Local Governments according to the distribution key of the financial equalisation scheme.
- This amount should be achieved through a cost dampening path in public administration as well as sensible savings in subsidies (e.g. „freezing“ of subsidies in certain areas). At the Federal Government level those paths including the effects on the budget chapters are already incorporated in the strategy report.

3.2. Budget execution in 2014

Despite a weak economic environment (real GDP in 2014 grew by 0.3%) the consolidation target set for 2014 could be over-achieved. The structural deficit of the public sector amounted to 0.3% of GDP in 2014.

According to recent calculations by Statistics Austria the Maastricht deficit of the Federal Government in the year 2014 reached -2.4% (2013: -1.3%; plan 2014: -2.8%). The increase from 2013 to 2014 is solely due to the Hypo-Alpe-Adria/HETA case. Without this extraordinary effect the deficit would have been -1.0% of GDP. States and municipalities showed a slight surplus (0.03%) and social insurance institutions reached a surplus of 0.08% of GDP.

The federal budget 2014 on administrative basis anticipated in the cash flow statement total expenditures of 75.8 bn € and total receipts of 72.2 bn €, which results in a net cash balance of -3.6 bn €. Preliminary results for 2014 in the cash flow statement show total receipts of about 71.5 bn €, total expenditures of about 74.4 bn € and thus a net cash balance of about -3.2 bn €. Compared to the planned budget, total receipts ended up about 0.7 bn € and total expenditures about 1.1 bn € lower. Thus, the net cash balance ends up about 0.4 bn € below the budget.

In 2014, a strict budgetary execution led to personnel- and administrative material expenses reaching levels slightly below planned values. The same holds for interest payments also falling below budgeted levels. This was mainly due to significantly lowered interest rates for government bonds. Based on national accounts the favourable development of pension contributions led to a relief of the federal budget due to a lower required amount of federal grants to the pension insurance. The disadvantageous labour market development leads to minor budgetary excesses of unemployment benefits. Furthermore, not anticipated higher expenditure resulted in the area of refugee care. The same is true for expenses of teachers being employed by the Länder.

Tax revenues remained in gross terms 0.9 bn € and in net terms (after deducting tax shares of Länder and municipalities) 0.4 bn € below planned values. The main causes for this evolution were economic developments ending up weaker than expected. Consumption taxes as well as the VAT fell together short of expectations by 0.2 bn €. Also receipts from income tax (-0.1 bn €) and corporate tax (-0.3 bn €) ended up lower. Additionally, the anticipated one-off tax revenues resulting from the tax treaty with Liechtenstein did not materialise fully and fell short by 0.2 bn €.

Contributions to the unemployment insurance fund turned out slightly higher than expected. Similarly also revenues from social insurance contributions clearly increased due to higher employment as well as strong wage developments. These trends lead to a surplus of the statutory health insurance again in 2014.

Statistics Austria identified for the HETA Asset Resolution GmbH, the asset management company of the previous Hypo-Alpe-Adria (founded in autumn 2014), a Maastricht deficit effect of 3.8 bn € or about 1.2% of GDP. These calculations are based on an expert report which examined the most likely long-term economic value of the company's assets. In addi-

tion, the Hypo-Alpe-Adria received 750 m € on federal grants in 2014. The liabilities of the HETA, which are included in general government debt, stood at 14.3 bn € or 4.3% of GDP by the end of 2014. This turned out to be considerably lower than expected (17.8 bn €).

In 2014, the general government debt ratio turned out at 84.5% of GDP and thus fell short of 2 pp of expectations (86.5% of GDP). If one excludes HETA debt from general government debt the latter would end up at 80.2% of GDP.

For calculating the structural deficit one-off measures need to be taken into account. In particular these include Maastricht relevant expenditures for the Hypo-Alpe-Adria and the HETA. For the Hypo-Alpe-Adria the federal level spent 750 m € in 2014. The Maastricht deficit of the HETA, as approved by Statistics Austria, amounted to 3.8 bn € in 2014. This gives in sum 4.5 bn € or about 1.4% of GDP. There were no further federal expenditures for other nationalized or partially nationalized banks in 2014. The one-off receipts resulting from the tax treaty with Liechtenstein and Switzerland amounted to 264 m € in 2014, about 0.24 bn € less than previously expected. Finally, Austrian savings regarding EU contributions (283.7 m €) were taken into consideration when computing the structural deficit. These savings materialised on grounds of the in 2014 newly implemented ESA 2010 reform which lead to a recalculation of EU contribution bases which again resulted in additional payments by some Member States.

3.3. Budget 2015

The draft budget for 2015 has passed Parliament together with the budget for 2014 already in May 2014. It gears for a sustainable reduction of the structural deficit and the debt ratio. When setting up the budget, a general government deficit (Maastricht) of 1.4% of GDP was planned under the assumption that the Maastricht deficit would not exceed 1.5% of GDP. States and municipalities are set for a balanced budget. The social security was intended to produce a small surplus of 0.1% of GDP.

Due to a markedly more unfavorable economic development than originally envisaged, the Maastricht deficit for 2015 is now expected to turn out higher than planned (2.2% of GDP). In particular, higher labour market expenditures, higher transfers to the legal pension insurance and lower tax revenues will be the main contributing factors. On the other hand, the starkly fallen interest rate levels reduce the expected interest payments on public debt.

Based on the last output gap calculation of WIFO, the structural deficit will amount to -0.54% of GDP. The revised estimation of the path of the structural budget vis-à-vis the draft budgetary plan is mainly due to a revision of the potential output estimation. For the calculation of the structural balance, bank support measures of 1.7 bn € are considered one-off and are

subtracted. Their main element is a Federal State guarantee for a subordinate bond of the formerly Hypo-Alpe-Adria (1 bn €) that will become due in 2015.

The general government debt ratio will rise to 86.8% of GDP. The reason for this increase is the planned merger of a part of the liabilities of Kommunal-Kredit Austria AG with KA-Finanz AG which, in statistical terms, is attributed to the government sector because of this year's restructuring of Kommunal-Kredit Austria AG. One part of Kommunal-Kredit Austria AG was sold to a private group of investors and the other part was merged into KA-Finanz. Since KA-Finanz is considered part of the public sector in national account terms, this measure will raise public liabilities (i.e. the public debt level) by 6.3 bn €.

3.4. Institutional safeguarding of the consolidation

One of the key elements to safeguard fiscal consolidation is the debt brake rule enshrined in law (Law Gazette I Nr 30/2013). This regulation binds all levels of government (Federal, Länder and municipalities) – after a transition period – to the principle of a structurally balanced budget by 2017. The Federal Government is politically responsible for deficits of the social security system as well. In practice, this regulation will force the Federal Government (including social security system) to have a structural deficit below -0.35% of GDP starting from 2017. In line with EU regulations and with the Treaty on Stability, Coordination and Governance in EMU, the debt brake rule is determining the maximum amount of net borrowing while accounting for cyclical components and one-off transactions. For the Länder and municipalities, a structural balance is achieved, when the structural deficit is not below -0.1% of GDP. This threshold will guarantee a sustainable level of debt. For the general government, the structural balance is therefore set at -0.45% of GDP as lower limit.

In line with Regulation (EU) No 473/2013 of the European Parliament and the Council of 21 May 2013 the task of monitoring compliance with EU regulations was attributed to the former Austrian Government Debt Committee. This Committee has been newly named "Austrian Fiscal Advisory Council" and will provide recommendations and – if necessary – adjustment paths. The Fiscal Advisory Council is an independent body and started its work on 1 November 2013. The Council is composed of independent and qualified financial and fiscal experts as members, who are nominated by the Federal Government, the social partners, states and municipalities, the Austrian National Bank and by the budget office of Parliament. The Fiscal Advisory Council has a key role in monitoring public budgets in order to strengthen fiscal discipline on the federal level as well as in states and municipalities. Until 10 April 2015, the Fiscal Advisory Council has given three recommendations and one report on the compliance with the fiscal rules was published on its homepage.

4. Sustainability of Public Finances

The economic and financial crisis has led to a strong increase of both budget deficit and public debt ratio in the recent years. In addition, the budgetary costs of demographic change will put further financial pressure on public budgets.

Every three years the impact of ageing populations on economic growth and age-related public expenditures is being estimated at the EU level. At the end of April 2015 the latest version of the so called “Ageing Report” is going to be officially published². The long-run projections of age-related expenditure items is based on recent long-run population projections until 2060 being provided by Eurostat (EUROPOP 2013) and on commonly agreed demographic and macroeconomic assumptions for every EU Member State and Norway. Whilst expenditure projections for health care, long-term care, education and unemployment benefits are being provided by the European Commission, long-term projections for pension expenditures are being produced by the Member States themselves based on national pension models. The pension projection outcomes for Austria for the period 2013-2060 are a result of close cooperation between the Austrian Federal Ministry of Finance, the Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection and the Statistical Office for Upper Austria. The most recent pension reform measures that are included in the projections are those from the consolidation package in 2012. For the calculations from 2014 onwards, the “*no-policy-change*”-assumption is applied. The results for Austria were peer-reviewed by the European Commission and the other EU Member States. The projection results were found to be overall plausible.

The demographic projections by Eurostat result in an increase of the Austrian total population from 8.5 m people today to about 9.5 m people in 2060. As the baby-boom-generation will reach the retirement age within this period as well as due to increasing life expectancy (women +5 and men +6 years to 89 and 85 years respectively until 2060) the old-age dependency ratio (the ratio of persons 65+ years in relation to the age cohort 15-64 years) is going to almost double from 27% today to 51% by 2060. This entails that Austria would move from having four working-age people for every person above 65 years of age to a ratio of 2:1. The population group 65+ will rise by 80% until the end of the projection horizon.

Labour force projections show an increase of participation rates until 2060. This mainly reflects the strong increases in participation rates of women and the elderly. Total participation rates (for the age cohort 15-64) will increase by 1.9 pp from initially 76.1% in 2013 to 78% in 2060. Resulting from enacted pension reform measures – which mainly aim at harmonizing the effective retirement age with the legal retirement age as well as at

² http://ec.europa.eu/economy_finance/publications/european_economy/ageing_report/index_en.htm

enhancing participation rates of older people and thereby achieving less early retirements – participation rates of 55-64 year olds will increase by +21 pp for women and +5 pp for men within this age cohort. These assumptions lead to an increase of the total labour force from 4.4 m people today to about 4.5 m people in 2060.

According to the common methodology the assumptions imply an initial unemployment rate of 5% in 2013 by EU definition decreasing to 3.8% until 2023 and staying at this level thereafter. Altogether the period in retirement will increase by four years to about 23 years for men and by three years to about 25 years for women by 2060.

The annual potential GDP growth rate is 1.5% on average over the entire projection horizon. Until 2040 labour input will still contribute positively to economic growth, whereas from 2045 onwards, demographic changes – with a reduction in the working-age population – are projected to act as a drag on growth. Henceforward, labour productivity will be the sole source of economic growth over the entire time horizon.

Gross public pension expenditures in Austria are projected to rise from 13.9% of GDP 2013 to a high of 14.7% of GDP by the year 2037. This is due to the baby-boom generation peak in retirement. Thereafter, gross pension expenditures will decline again and will end up 2060 at the level of 14.4% of GDP. Thereof, spending of the general pension insurance scheme is supposed to increase from 10.4% of GDP today to 13.4% of GDP in 2060, whilst the decrease of expenditures of the civil service pension scheme from 3.5% of GDP to 0.9% of GDP in 2060 will have a considerable dampening effect. Pension contributions remain constant at 8.3% of GDP over the entire projection horizon. In addition to the baseline scenario a number of differing scenarios were calculated. These demonstrate that, e.g., a lower net migration could lead to a potential 1 pp burden to the budget in 2060. On the other hand an automatic adjustment of the statutory retirement age to changes in life expectancy could lead to total public pension expenditures ending up 1 pp lower in 2060, compared with the baseline results.

As for the remaining expenditure items the following paths are being projected:

- Health care expenditures: from 6.9% of GDP today to 8.2% of GDP by 2060 (+1.3 pp)
- Long-term care expenditures: from 1.4% of GDP today to 2.6% of GDP by 2060 (+1.3 pp)
- Education expenditures: remaining constant at 4.9% of GDP from today to 2060 (+0 pp)
- Expenditures for unemployment benefits: from 0.8% of GDP today to 0.6% of GDP by 2060 (-0.2 pp)

To summarise, age-related expenditures account for a substantial share of the public budget. Whereas total age-related expenditures make up for 27.9% of GDP today, this burden will

increase – mainly due to the population ageing – by about 3 pp to 30.8% of GDP by 2060. The preceding Ageing Report 2012 still showed an increase of total expenditures by 4.5 pp of GDP. The currently assumed smaller expenditure increase of 1.5 pp of GDP can mainly be explained by more favourable demographic assumptions and by in the meantime adopted pension reform measures. Although pension expenditures will continue to make up for the bulk of age-related expenditures, spending dynamics will dominantly stem from health care- and long-term care systems in coming decades.

5. Quality of Public Finances

5.1. Administrative reforms

A lean, dynamic and strong administration is required for making the public administration even more citizen- and business-friendly as well as more efficient, in order to improve the quality of the Austrian public administration and to strengthen Austria as a good location for business.

Tasks and Deregulation Commission

The Federal Government has a particularly strong commitment to administrative reforms. According to the Government Program 2013-2018 a commission to oversee deregulation and reform competences will be tasked to examine the public administration and to develop concrete proposals, in order to increase the efficiency of the public administration and to reduce administrative burdens within the administration for citizens and enterprises.

There are four subgroups for "bureaucracy reduction", "task reform", "economy" and "subsidies". Until now the government received four reports with proposals for reform measures and an extra document regarding recommendations for the Austrian subsidy policy.

One example of the recommendations is the already family allowance without request, which is being implemented.

Among the proposals are procedural measures, like the initiation of a process of task examination for the state and federal level, targeted relief initiatives and the development of a departmental- and regional authorities encompassing Austrian better regulation strategy.

The "task and deregulation commission" plans to develop further measures and write a final report this year. The administration-internal evaluation and organisation of the implementation should start thereafter.

Federal Government Office

The Government Program foresees to establish a federal government office which coordinates personnel-, IT- and support-exercises to enhance the efficiency and effectiveness. An authority-overlapping working group was founded to review how the government office should be implemented. The necessary legal requirements should be in place until the end of 2015.

School reform

A reform group is currently working to establish concrete proposal how to make the educational system better and more efficient. At the beginning of March the expert paper of the educational reform group was presented to the government. A great educational reform should be developed until the summer and presented in November at the latest.

eGovernment

A lot of official channels can be handled easily electronically with the help of e-government portals.

The “Business Service Portal” is the central One-Stop-Shop of the administration for the business sector. It offers direct access to a lot of information and administrative procedures via the e-government. An example is the electronic invoice to the public administration; it accelerates the process for the enterprises as well as the administration significantly.

With the Mobile Phone Signature the public administration provides a comprehensive infrastructure for the electronic identity and signature for citizens and businesses. It can be used for more than 200 administrative procedures at all levels of authorities. As the Mobile Phone Signature can also be used in the private area, the greatest possible synergies with the economy were achieved. There is a joint solution for electronic deliveries, which enables continuous digital processes and therefore a simplification of the administration.

Thanks to the initiative “family allowances without request”, starting 1 May 2015, families will receive the family allowance after the birth of a child, without completing a form. The information is send electronically from the central civil registry to the financial administration, where it is checked with existing information. If information is complete, the family allowance can be paid out quick and easy.

Reciprocal financing of the tax reform through administrative reforms

To finance the tax reform, state, federal and municipal level will save 1.1 bn. Euro. This should be reached by cost containment of the administration and sensible savings of subsidies, with exemptions for the labour market and research. A semi-annual monitoring report will show the compliance with the administrative costs brake, savings of subsidies, as well as feasibility and implementation of the administrative reform proposals. It will be presented to the parliament and the government. Furthermore, there should be an administrative reform dialogue with the federal level.

5.2. Reducing administrative costs

The Austrian Federal Government's work programme for the years 2013 to 2018 contains several innovations, for example, the introduction of an „one in – one out“ policy and a process for reducing and simplifying regulation, as well as the establishment of the “Task and Deregulation Commission”.

Austria introduced a lot of measures in 2014 to significantly reduce administrative cost for enterprises and citizens. Examples are the increase of the value limit of small amount invoices, or the simplification of the annual financial statement appendix for small and medium enterprises.

Some of the proposals of the task and deregulation commission have been implemented, such as the reduction of representatives in enterprises, simplifications for work records, reinforced electronic services delivery for enterprises, electronic founding, some micro-plants are not subject to approval (draft law was in public consultation till end of March 2015), as well as the requestless family allowance.

In 2014, existing initiatives, e.g., the e-invoice to the public administration, the Business Service Portal (USP), or the business information system Austria (GISA) could be further developed.

The USP is an information- and operation portal for businesses, which offers a “single-sign-on” access to the most important administrative procedures of the federal government. At the moment 25 procedures, e.g., finance online or social security services, could be invoked by one registration. Thanks to the e-invoice-function in the USP it is possible to send e-invoices to the federal government since 2014, and also to Upper Austria as of 2015. It is easy to create and transmit the invoice, without media disruption, paper or stamps, and without the risk of loss of documents. At the moment phase 2 of the USP is implemented, the focus lies on the optimization of reporting processes and avoidance of multiple nominations. The supporting in the foundation process, as well as the electronic delivery are in the focus to deliver a high relief of burden. Thanks to this, the USP delivers a decisive contribution to the administrative reform.

The new business information system Austria (GISA) started on 30 March 2015. The nationwide implementation replaces 14 local business registers. Every entrepreneur can electronically register a business for whole Austria. Changes in the name or the place of residence do not need to be reported to the trade authority anymore, as this information is automatically updated by GISA. The individual enterprise is able to save time, effort and costs, because

business registrations, relocations, and company inaugurations could be done considerably easier.

Current reports concerning measures of Austria in the range of administrative costs could be read at <http://www.aufgabenreform.at/> or in the budget supplement "better regulation".

6. Institutional Framework

6.1. Austrian Stability Pact

The national budgetary coordination between the Federal Government, the Länder and municipalities is regulated within the Austrian Stability Pact (ÖStP). Due to the strengthened economic governance of EU member states (“sixpack”, “twopack” and “fiscal compact”), adjustments to EU regulations were implemented already in 2012.

The agreement currently in place has entered into force on 1 January 2012. It is effective for an unlimited period. A system of multiple fiscal rules has been introduced ensuring a balanced budget in structural terms in Austria from 2017 onwards.

The agreement contains the following key aspects:

- Rule on the allowed annual deficit for the years up to 2016. Rule on a structurally balanced general government budget (“debt brake”) from 2017 onwards. A structurally balanced budget is defined as a structural general government deficit not exceeding 0.45% of GDP.
- Rule on the allowed annual expenditure growth (expenditure brake).
- Rule on the annual public debt reduction as defined in ESA terms (debt quota adjustment).
- Rule on contingent liability ceilings.
- Rules on improvements of budgetary coordination between the Federal Government, the Länder and municipalities, medium-term budgetary planning, mutual exchange of information and transparency.

These fiscal rules are backed up by adequate sanctions.

The working programme of the Federal Government for the years 2013 - 2018 envisages to adapt the ÖStP to the consolidation path foreseen in the coalition agreement as from the year 2014.

6.2. Medium-term budgetary planning

The Federal Constitutional Law and the Federal Budget Law provide for legally binding medium-term budgetary planning at the federal level via the Federal Financial Framework Law (BFRG) and the Strategy Report. The former sets legally binding expenditure ceilings effective for the subsequent four years. Five spending categories are covered, representing the Federal Government’s main engagements on the expenditure side. The Strategy Report contains political declarations of intent as well as annotations, inter alia regarding payments. A

draft BFRG has to be presented by the Federal Government by 30 April each year at the latest. This timing is in line with the rules in place at EU level for the submission of the Stability Programme.

6.3. Stability Programme procedure

In the context of the Stability and Growth Pact, the Austrian Stability Programme will be updated and provided annually. This programme is part of the European Semester and is approved by the Austrian Federal Government in accordance with the Austrian Stability Pact taking into consideration budget coordination within Austria. The Stability Programme also represents the medium-term fiscal plan required by Article 4(1) of Regulation (EU) 473/2013. Together with the National Reform Programme, the Stability Programme is submitted to the Council of the European Union, the European Commission, the Austrian Parliament and the Social- as well as Financial Equalisation Partners.

The report of the Austrian Minister of Finance on the Austrian Stability Programme Update for the period 2013 to 2018 was presented to Parliament on 29 April 2014 for consideration in the ensuing procedure. On 8 May 2014, the parliamentary budget committee discussed it in public session and then adopted a final report following the process laid down in paragraph 28b of the Law on Parliament's Rules of Procedure (GoG-NR).

6.4. Budgetary law reform evaluation

As foreseen in the work programme of the Austrian Federal Government for the period 2013-2018, the Federal Ministry of Finance has presented an evaluation report of the two staged budget law reform of 2009 and 2013 to Parliament on 5 February 2015. Issues raised in the government programme - reserves, administrative burden associated with drafting reports and integrating the European Semester into the current budgetary cycle - were covered.

Experiences after two years applying the reformed budget law show that the budget law reform on Federal level laid the foundation for a modern budget controlling. On the other hand, it is evident that the reform is not yet completed and that there is especially a remaining need for training activities. More account should be taken of reserves in the annual budget law and considered already during the process of fixing expenditure ceilings. Drafting reports should be made less administratively burdensome inter alia through a more graduated impact assessment. Moreover, the budget process could be simplified and better aligned to the European Semester. Based on the evaluation report, these issues for improvement will be discussed in Parliament and subsequently implemented.

7. Annex

Table 1: Basic assumptions

	2014	2015	2016	2017	2018	2019
Short-term interest rate (annual average)	0.2	0.1	0.1	0.1	0.1	0.1
Long-term interest rate (annual average)	1.5	0.5	0.5	0.5	0.5	0.6
USD/€ exchange rate (annual average)	1.3	1.2	1.2	1.1	1.2	1.2
Nominal effective exchange rate	1.2	-2.2	0.0	-0.3	-0.2	-0.3
World excluding EU, GDP growth	3.8	4.1	4.1	4.1	4.1	4.1
EU GDP growth	1.4	1.5	1.7	1.9	2.1	2.2
Growth of relevant foreign markets	3.0	3.5	4.0	-	-	-
World import volumes, excluding EU	-	-	-	-	-	-
Oil prices (Brent, USD/barrel)	99	70	80	88	93	97

Positions may not sum up due to rounding errors.

Source: WIFO

Table 2: Macroeconomic prospects

		2014	2014	2015	2016	2017	2018	2019
	ESA Code	in bn €		rate of change				
1. Real GDP	B1*g	307.6	0.3	0.5	1.4	1.5	1.7	1.9
2. Potential GDP			1.0	0.9	1.0	1.1	1.2	1.3
3. Nominal GDP	B1*g	329.0	2.0	1.9	3.1	3.2	3.3	3.5
Components of real GDP								
4. Private final consumption expenditure	P.3	161.0	0.2	0.4	1.4	1.4	1.3	1.2
5. Government final consumption expenditure	P.3	61.0	0.5	1.1	0.1	1.3	1.1	1.2
6. Gross fixed capital formation	P.51g	67.5	0.5	1.0	2.0	2.0	2.0	2.2
7. Changes in inventories and net acquisition of valuables (in % of GDP)	P.52 + P.53		0.5	0.6	0.8	0.8	0.9	0.9
8. Exports of goods and services	P.6	165.7	1.5	2.0	3.2	3.4	3.7	4.1
9. Imports of goods and services	P.7	153.1	2.4	2.3	3.7	3.5	3.4	3.5
Contributions to real GDP growth								
10. Final domestic demand			0.3	0.7	1.3	1.4	1.4	1.4
11. Changes in inventories ¹⁾	P.52 + P.53		0.4	-0.1	0.2	0.0	0.1	0.0
12. External balance of goods and services	B.11		-0.4	-0.1	-0.1	0.1	0.3	0.5

1) incl. net acquisition of valuables and statistical discrepancy

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 3: Price developments

	2014	2015	2016	2017	2018	2019
	rate of change					
1. GDP deflator	1.7	1.4	1.7	1.7	1.6	1.6
2. Private consumption deflator	1.8	1.4	2.0	1.9	1.7	1.8
3. CPI	1.7	1.3	1.9	1.8	1.7	1.8
4. Public consumption deflator	1.3	1.4	1.6	1.9	1.9	1.7
5. Investment deflator	1.3	1.0	1.8	1.8	1.6	1.4
6. Export price deflator (goods and services)	0.5	-0.2	1.1	1.6	1.1	0.9
7. Import price deflator (goods and services)	-0.5	-0.5	1.4	2.0	1.3	1.1

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 4: Labour market developments

	2014	2014	2015	2016	2017	2018	2019	
	ESA Code	Level	rate of change					
1. Employment, persons		3,886,329	0.8	0.6	0.8	0.9	1.1	1.2
2. Employment, hours worked (in m)		7,031.9	0.6	0.4	0.5	0.4	0.4	0.4
3. Unemployment rate, EUROSTAT definition			5.0	5.3	5.3	5.3	5.2	5.1
4. Labour productivity, persons		79,137.8	-0.5	-0.1	0.6	0.6	0.6	0.7
5. Labour productivity, hours worked		43.7	-0.3	0.1	0.9	1.2	1.3	1.5
6. Compensation of employees (in m €)	D.1	158,693.2	2.6	2.2	2.8	3.2	3.4	3.6
7. Compensation per employee		40,833.7	1.8	1.6	2.0	2.2	2.3	2.4

Positions may not sum up due to rounding errors.

Sources: BMF, EUROSTAT, STAT, WIFO

Table 5: Sectoral balances

		2014	2015	2016	2017	2018	2019
	ESA Code	in % of GDP					
1. Net lending/borrowing vis-à-vis the rest of the world	B.9	1.4	1.4	1.0	-	-	-
2. Net lending/borrowing of the private sector	B.9	3.8	3.6	2.6	-	-	-
3. Net lending/borrowing of the general government	B.9	-2.4	-2.2	-1.6	-1.3	-0.9	-0.5
4. Statistical discrepancy		0.1	0.0	0.0	0.0	0.0	0.0

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 6: Budgetary targets

		2014	2015	2016	2017	2018	2019
	ESA Code	in % of GDP					
Net lending/net borrowing by sub-sector							
1. General government	S.13	-2.4	-2.2	-1.6	-1.3	-0.9	-0.5
2. Central government	S.1311	-2.5	-2.3	-1.8	-1.5	-1.1	-0.7
3. State governments (excl. Vienna)	S.1312	0.0	0.0	0.0	0.0	0.0	0.0
4. Local governments (incl. Vienna)	S.1313	0.0	0.0	0.0	0.0	0.0	0.0
5. Social security funds	S.1314	0.1	0.1	0.1	0.1	0.1	0.1
6. Interest expenditure	D.41	2.4	2.3	2.2	2.0	1.9	1.9
7. Primary balance		0.0	0.1	0.5	0.7	1.0	1.4
8. One-off and other temporary measures		-1.2	-0.5	-0.2	-0.1	-0.1	-0.1
9. Real GDP growth		0.3	0.5	1.4	1.5	1.7	1.9
10. Potential GDP growth		1.0	0.9	1.0	1.1	1.2	1.3
11. Output gap		-1.5	-1.9	-1.6	-1.1	-0.6	0.0
12. Cyclical budgetary component		-0.9	-1.1	-0.9	-0.6	-0.3	0.0
13. Cyclically-adjusted balance		-1.5	-1.0	-0.7	-0.6	-0.6	-0.5
14. Cyclically-adjusted primary balance		0.9	1.2	1.4	1.4	1.3	1.3
15. Structural balance		-0.3	-0.5	-0.5	-0.5	-0.5	-0.4

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 7: General Government debt developments

		2014	2015	2016	2017	2018	2019
	ESA Code	in % of GDP					
1. Gross debt		84.5	86.8	85.7	84.1	82.2	79.7
2. Change in gross debt ratio (in %)		4.5	2.7	-1.3	-1.9	-2.3	-3.0
Contributions to changes in gross debt							
3. Primary balance		0.0	0.1	0.5	0.7	1.0	1.4
4. Interest expenditure	D.41	2.4	2.3	2.2	2.0	1.9	1.9
5. Stock-flow adjustment		2.8	1.7	-0.2	-0.2	-0.2	-0.2
p.m.: Implicit interest rate on debt		2.8	2.6	2.5	2.4	2.3	2.3

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 8: Contingent liabilities

	2013	2014	2015
	in % of GDP		
Public guarantees	34.8	28.0	25.0
of which: Central government ¹⁾	16.0	13.7	12.5
of which: linked to the financial sector ²⁾	1.4	0.4	0.4
of which: State and Local governments	18.8	14.4	12.5
of which: linked to the financial sector ²⁾	14.0	9.7	8.1

1) Guarantees for exports without double count of funding guarantees.

Without liabilities for EFSF which are included in the debt quota.

According to ESA 2010 liabilities for SchiG, ÖBB according to BFG as well as those of ÖBB Infrastruktur AG and ÖBB Personenverkehr AG according to EurofimaG are included in the public sector and will here not be included in order to avoid double count.

Forecasts are based mainly on statistical values resulting from percentage change in history and are not based on political decisions.

2) Without double count of liabilities for KA Finanz AG und HETA.

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 9: Budgetary prospects (no-policy change scenario)

		2014	2015	2016	2017	2018	2019
	ESA Code	in % of GDP					
		General government					
1. Total revenue	TR	49.9	49.9	49.9	50.1	50.2	50.2
1.1. Taxes on production and imports	D.2	14.4	14.5	14.4	14.4	14.3	14.2
1.2. Current taxes on income, wealth etc.	D.5	13.7	13.8	13.9	14.1	14.3	14.5
1.3. Capital taxes	D.91	0.2	0.2	0.2	0.2	0.2	0.2
1.4. Social contributions	D.61	15.4	15.5	15.5	15.5	15.5	15.5
1.5. Property income	D.4	1.1	1.0	1.0	1.0	0.9	0.9
1.6. Other		5.0	5.0	4.9	4.9	4.9	4.9
p.m.: Tax burden		-	-	-	-	-	-
2. Total expenditure	TE	52.3	52.1	51.3	51.0	50.8	50.4
2.1. Compensation of employees	D.1	10.6	10.7	10.6	10.6	10.5	10.5
2.2. Intermediate consumption	P.2	6.5	6.5	6.5	6.4	6.4	6.3
2.3. Social payments	D.62, D.632	23.3	23.8	23.8	23.9	24.0	24.0
of which: Unemployment benefits		-	-	-	-	-	-
2.4. Interest expenditure	D.41	2.4	2.3	2.2	2.0	1.9	1.9
2.5. Subsidies	D.3	1.5	1.5	1.4	1.4	1.4	1.3
2.6. Gross fixed capital formation	P.51g	2.9	2.9	2.8	2.8	2.8	2.7
2.7. Capital transfers	D.9	2.0	1.3	0.8	0.8	0.8	0.7
2.8. Other		3.2	3.3	3.2	3.1	3.0	2.9

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 10: Budgetary prospects

		2014	2015	2016	2017	2018	2019
ESA Code		in % of GDP					
		General government					
1. Total revenue	TR	49.9	49.9	49.5	49.5	49.4	49.4
1.1. Taxes on production and imports	D.2	14.4	14.5	14.8	14.8	14.7	14.5
1.2. Current taxes on income, wealth etc.	D.5	13.7	13.8	13.0	13.1	13.3	13.4
1.3. Capital taxes	D.91	0.2	0.2	0.2	0.2	0.2	0.2
1.4. Social contributions	D.61	15.4	15.5	15.6	15.5	15.5	15.4
1.5. Property income	D.4	1.1	1.0	1.0	0.9	0.9	0.9
1.6. Other		5.0	5.0	4.9	4.9	4.9	4.8
p.m.: Tax burden		43.1	43.3	42.9	42.9	43.0	43.0
2. Total expenditure	TE	52.3	52.1	51.2	50.7	50.4	49.9
2.1. Compensation of employees	D.1	10.6	10.7	10.5	10.4	10.4	10.3
2.2. Intermediate consumption	P.2	6.5	6.5	6.4	6.3	6.3	6.2
2.3. Social payments	D.62, D.632	23.3	23.8	23.8	23.9	23.8	23.8
of which: Unemployment benefits		1.4	1.6	1.6	1.6	1.6	1.5
2.4. Interest expenditure	D.41	2.4	2.3	2.2	2.0	1.9	1.9
2.5. Subsidies	D.3	1.5	1.5	1.4	1.3	1.3	1.3
2.6. Gross fixed capital formation	P.51g	2.9	2.9	2.9	2.8	2.8	2.8
2.7. Capital transfers	D.9	2.0	1.3	0.8	0.8	0.9	0.8
2.8. Other		3.2	3.3	3.2	3.1	3.0	2.9

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 11: Amounts to be excluded from the expenditure benchmark

	2014	2014	2015	2016	2017	2018	2019
	in bn €	in % of GDP					
1. Expenditure on EU programmes fully matched by EU funds revenue	1.4	0.4	0.4	0.4	0.4	0.4	0.4
2. Cyclical unemployment benefit expenditure at unchanged policies	4.8	1.4	1.6	1.6	1.6	1.6	1.5
3. Effect of discretionary revenue measures	0.0	0.0	0.0	-0.4	-0.5	-0.4	-0.4
4. Revenue increases mandated by law	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions may not sum up due to rounding errors.

Cyclical expenditure defined as actual expenditure (COFOG 10.5) minus expenditure for NAWRU-unemployed.

Sources: BMF, STAT, WIFO

Table 12: Divergence from April 2014

		2014	2015	2016	2017	2018	2019
	ESA Code						in % of GDP
General government net lending/net borrowing	B.9						
SP April 2014		-2.7	-1.4	-0.7	-0.6	-0.5	-
SP April 2015		-2.4	-2.2	-1.6	-1.3	-0.9	-0.5
<i>Difference</i>		0.3	-0.8	-0.9	-0.7	-0.5	-
Structural balance	B.9						
SP April 2014		-1.0	-0.9	-0.4	-0.4	-0.3	-
SP April 2015		-0.3	-0.5	-0.5	-0.5	-0.5	-0.4
<i>Difference</i>		0.7	0.4	-0.1	-0.1	-0.2	-
Gross debt							
SP April 2014		79.2	77.6	75.6	73.4	71.5	-
SP April 2015		84.5	86.8	85.7	84.1	82.2	79.7
<i>Difference</i>		5.3	9.3	10.1	10.7	10.7	-

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 13: Economic growth and public finances in three scenarios

	2014	2015	2016	2017	2018	2019
Baseline scenario						
GDP, nominal, in bn €	329.0	335.3	345.8	357.0	368.8	381.6
GDP, real, rate of change in %	0.3	0.5	1.4	1.5	1.7	1.9
Net lending/borrowing of general government in % of GDP	-2.4	-2.2	-1.6	-1.3	-0.9	-0.5
Gross debt in % of GDP	84.5	86.8	85.7	84.1	82.2	79.7
Scenario 1						
GDP, nominal, in bn €	329.0	337.0	349.2	362.3	376.1	391.1
GDP, real, rate of change in %	0.3	1.0	1.9	2.0	2.2	2.4
Net lending/borrowing of general government in % of GDP	-2.4	-1.9	-1.3	-1.0	-0.7	-0.2
Gross debt in % of GDP	84.5	86.1	84.3	82.0	79.5	76.5
Scenario 2						
GDP, nominal, in bn €	329.0	333.7	342.4	351.7	361.6	372.3
GDP, real, rate of change in %	0.3	0.0	0.9	1.0	1.2	1.4
Net lending/borrowing of general government in % of GDP	-2.4	-2.5	-1.9	-1.6	-1.2	-0.8
Gross debt in % of GDP	84.5	87.5	87.1	86.1	84.8	83.0

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

1) Two growth scenarios and their impact on the fiscal balance and the debt ratio are examined as alternatives vis-à-vis a baseline growth scenario. In the first (second) scenario real GDP growth is assumed to be 0.5%-points higher (lower) in 2015 and the years to follow compared to the baseline scenario.

Table 14: Long-term sustainability of public finances (projections by COM/EPC)

	2015	2020	2030	2040	2050	2060
	in % of GDP					
Total age-related expenditure ¹	27.8	27.8	29.1	30.1	30.6	30.8
Pension expenditure ²	13.9	13.9	14.4	14.7	14.6	14.4
Health care (excl. long-term care)	7.0	7.2	7.6	7.9	8.2	8.2
Long-term care	1.4	1.5	1.8	2.1	2.5	2.7
Education	4.7	4.5	4.7	4.8	4.7	4.9
Unemployment	0.8	0.7	0.6	0.6	0.6	0.6
Contributions to social security pensions ³	8.5	8.4	8.6	8.5	8.4	8.3
Assumptions						
Real GDP (change in PO growth, in %) ⁴	1.8	1.9	1.5	1.6	1.3	1.3
Labour productivity (change in %) ⁴	0.6	1.1	1.4	1.5	1.5	1.5
Participation rate males (aged 15-64) ⁴	77.4	78.1	77.2	77.5	77.0	77.1
Participation rate females (aged 15-64) ⁴	68.5	69.6	71.3	73.1	72.7	72.8
Total participation rate (aged 15-64) ⁴	73.0	73.9	74.2	75.3	74.9	75.0
Unemployment rate (aged 15-64, EUROSTAT definition) ⁴	4.7	4.2	3.8	3.8	3.8	3.8
Persons aged 65+ in % of total population (aged 15-64) ⁵	27.7	29.5	37.9	44.4	46.8	50.5

1) Data based on COM/EPC projections, "Ageing Report 2015"

2) Gross amounts incl. "Ausgleichszulagen" and "Rehabilitationsgeld NEU", excl. administrative costs, rehabilitation and health insurance expenditures

3) Excl. revenues from federal fund

4) Data based on COM/EPC macro-assumptions (2014)

5) Data based on EUROSTAT demographic projections (EUROPOP 2013)

Positions may not sum up due to rounding errors.

Sources: BMASK, BMF, COM, EUROSTAT, STAT, EPC

Table 15: General Government expenditure by function

		2011	2012	2013	2014
	COFOG Code	in % of GDP			
1. General public services	1	7.4	7.2	7.2	6.9
2. Defence	2	0.6	0.6	0.6	0.6
3. Public order and safety	3	1.3	1.3	1.3	1.3
4. Economic affairs	4	6.1	6.2	5.6	7.1
5. Environmental protection	5	0.5	0.5	0.5	0.5
6. Housing and community amenities	6	0.4	0.4	0.4	0.4
7. Health	7	7.8	7.8	7.9	7.9
8. Recreation, culture and religion	8	0.9	0.9	0.9	0.9
9. Education	9	5.0	5.0	5.0	5.0
10. Social protection	10	20.8	21.0	21.4	21.7
11. Total expenditure	TE	50.8	50.9	50.9	52.3

Positions may not sum up due to rounding errors.

Source: STAT

Table 16: Country specific recommendations (CSR)

See "National Reform Programme – Austria", April 2015

Table 17: Targets set by the Union's strategy for growth and jobs

See "National Reform Programme – Austria", April 2015

Sources/Links

Public Employment Service Austria (AMS)

<http://www.ams.at/english>

Federal Chancellery (BKA)

<http://www.bundeskanzleramt.at/site/3327/Default.aspx>

Federal Ministry of Labour, Social Affairs and Consumer Protection (BMASK)

<http://www.sozialministerium.at/cms/siteEN/>

Federal Ministry of Finance (BMF)

<https://english.bmf.gv.at/>

Federal Ministry of Science, Research and Economy (BMWFW)

<http://www.en.bmwfw.gv.at/>

European Commission, Directorate General of Economic and Financial Affairs

http://ec.europa.eu/economy_finance/index_en.htm

EU Economic Governance

http://ec.europa.eu/economy_finance/economic_governance/index_en.htm

Stability and Growth Pact

http://ec.europa.eu/economy_finance/economic_governance/sgp/index_en.htm

Eurostat

<http://ec.europa.eu/eurostat/home>

Fiscal Council

<http://www.fiskalrat.at/en/>

Institute for Advanced Studies (IHS)

<https://www.ihs.ac.at/>

Macrobond

<http://www.macrobondfinancial.com/>

Austrian Federal Financing Agency (OeBFA)

<http://www.oebfa.at/en/Pages/default.aspx>

Financial Market Authority (FMA)

<https://www.fma.gv.at/en/homepage.html>

Austrian National Bank (OeNB)

<http://www.oenb.at/en/>

Austrian Institute of Economic Research (WIFO)

<http://www.wifo.ac.at/jart/prj3/wifo/main.jart?rel=en>

Austrian Parliament

<http://www.parlament.gv.at/ENGL/>

Austrian Court of Auditors (RH)

<http://www.rechnungshof.gv.at/en/home.html>

Statistics Austria (STAT)

http://www.statistik.at/web_en/